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Dear Client:

How about a downtown Austin development whose centerpiece is a special events center that could be the home for UT Austin basketball, a major league soccer team, events such as Bruce Springsteen-type concerts, ice shows, the circus, etc. Surround it with cafes, bars, a hotel and retail -- on the shores of Lady Bird Lake. It's a big idea whose time may have come.

Location is the lynchpin. **The ideal location is 18.9 acres, with a third of a mile of lakefront, and with an address on South Congress Avenue.** This property is owned and occupied by the *Austin American-Statesman*. It was even offered for sale in 2008, along with the newspaper itself, but owner Cox Media Group pulled down the offering. Since then, we understand several unsolicited offers have been made for the property itself. So, why is *now* the time?

The stars are aligning on several levels. **UT Austin needs a facility to replace the Frank Erwin Center** that will ultimately be demolished as the Dell Medical School expands. **Major League Soccer has been sniffing around Austin as a location for a team** and one of its core requirements is a downtown location.

There's more. **There is a price (don't know what it is) that Cox will take for the property** as media groups are struggling financially these days. And, importantly, **there are big bucks – nationally and internationally – available for projects such as this.**

Okay, that's a mouthful. And there are lots of moving parts to such a huge undertaking. But first, let's make the basic assumption that **this will be a private development on private land.**

But what about UT Austin? Wouldn't it build its own facility, as it did the Erwin Center originally? After all, major UT Austin donor **Red McCombs famously said that "all the money not in the Vatican is at UT Austin!"** And the school just wrapped up an 8-year effort that raised more than \$3 billion.

No matter how much money flows through the institution, UT Austin could choose, as many businesses do, to not encumber its very diverse cash pockets. In fact, the new financial-minded **Athletic Director Steve Patterson is said to be open to signing a long-term lease on a new facility.** (Of course, the lease would come with all sorts of conditions and stipulations. But, hey, nobody said it would be uncomplicated.) Check out the next item for more info.

Big ideas often come with big complications. Building a downtown lakeshore Austin Event Complex fits that description. But challenges are what separate the very successful from the rest of the pack. And a project of this magnitude requires major moxie to make happen.

Tackling this will not be for the faint of heart. **A developer would need deep pockets and deeper experience, plus patience, tenacity and diplomacy of gargantuan proportions.** But, let's check off some key elements that make this *Big Idea* more than just a mere possibility.

A major long-term tenant for the central facility is basic. UTAustin. **Check.**
A second major long-term tenant helps even more, such as a Major League Soccer franchise that is quietly exploring Austin. **Check.**

Location... location... location. As previously indicated, media groups are not making major profits and the *Austin American-Statesman's* lakeside property is extremely valuable in booming Austin. The Cox Media folks are no dummies. They know a lakeside location is not needed to produce a daily newspaper (offices and production facilities can be located "anywhere") and land for a project of this size and significance would bring top dollar. **So, the *Austin American-Statesman* property could likely be acquired. Check.**

Great developers can bring together the other elements in a heartbeat – restaurants, bars, retail, hotel, etc. But the developer must be ready to face the **unique challenges of building in Austin** – neighborhood concerns, height concerns, lakeshore concerns, transportation concerns, you get the picture. This is where patience, tenacity and diplomacy come into play.

Finally, the money. The financial commitment to pull this off is huge. But, as we reported last week, **there are trillions of dollars – literally trillions – chasing commercial real estate deals.** (Click on the "Archive" button at the top to read the details in last week's newsletter ticking off where the money is located. Citing specifics, Texas real estate economist **Mark Dotzour** said money is everywhere, earning virtually nothing, looking for solid real estate deals).

This exercise could be denigrated as pie-in-the-sky, but less so when you consider the **synergistic elements that are in place and coming together to make it happen.**

This is a rare point in time for something like this to come together. **The window of opportunity is open now. How long it will remain open remains to be seen.**

Finally, consider where such a project fits within the big downtown Austin picture. It is within walking distance – **a short stroll across the Ann Richards Congress Avenue Bridge** -- from an impressive array of hotels, residences, shopping, dining and drinking establishments, and the Austin Convention Center. And, by its location on the south shore of Lady Bird Lake, it offers another route, other than through downtown, for Austin area residents.

More changes for downtown are on the way. If fully implemented, it could make Austin's tree-lined downtown streets resemble a mini Paris, France -- albeit with narrower streets.

After two years of planning, the Austin City Council has approved a streamlined process so downtown businesses will now have an easier mechanism to **use sidewalk space – and even parking spaces – for patios and sidewalk cafes.** The past restrictions have been eased and the permitting process simplified.

What could it look like? **The Royal Blue Grocery's sidewalk patio on the east side of downtown's Congress Avenue served as a pilot project.** The grocery store's owner said his business has grown as a result of his "urban oasis" patio.

Obviously this could improve the pedestrian experience downtown, but **if businesses create sidewalk cafes and patios by taking parking spaces, it will further restrict automobile access** that has been slowly diminishing over the past few years.

If Texas voters approve Proposition 1 in November, legislators will have the authority to recommend a minimum balance in the state's Rainy Day Fund.

As we reported 8/22/14, the Rainy Day Fund (known legally as the Economic Stabilization Fund or ESF) will have a **whopping \$8.4 billion in the bank** when legislators come to Austin in January to start legislating.

This huge balance no doubt played a part in the recent sale of \$5.4 billion in Texas one-year notes, along with the strong Texas economy and the direction it's heading. **Investors bid more than triple the amount being offered and at the lowest rate ever received for the state's one-year notes.** The borrowing cost carried a very low 0.1326% interest rate.

Assuming passage of the November 4th ballot item, a Select Committee composed of five State Senators and five State Representatives will convene and **recommend a sufficient balance by 12/1/14.**

The House and Senate can then adopt, or amend, a concurrent resolution early in the legislative session – **to guide appropriations action before legislators go home for two years at the end of May 2015.**

House Speaker **Joe Straus** said "we've built a very strong balance in the Rainy Day Fund over the last several years. These members (of the ESF committee) will help ensure that the fund stays strong and that Texas remains prepared for an economic emergency." **A minimum balance is considered important because there have been – and no doubt will continue to be – repeated attempts to divert funds from the Rainy Day Fund.**

If you want to speak UTAustin-ese, you need to get up-to-speed on some new jargon that has come about as a result of the success of its just-concluded \$3.1 billion fund-raising effort.

The historic \$3.1 billion capital campaign has played out over the past eight years, concluding last week, as it surpassed its \$3 billion goal. The money started rolling in early, slowed a bit in the midst of the impact of the national recession, then picked up steam to the point that it **set two records – one for the most money raised in a single year (\$856 million the last year) and the largest amount ever raised for higher education in Texas.**

As the funding commitments were locked-in, changes began almost immediately on the Austin campus. And one of those changes had to do with “short-hand” language used by UTAustin insiders. For instance, do you know what “**Moody**” stands for? Or “**Butler?**” Or “**Dell?**”

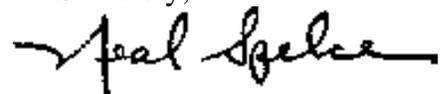
The word “Dell” is obvious because **Michael and Susan Dell**’s donation to the med school resulted in naming it “Dell Medical School.” Now, university types simply call the school “Dell.” “Butler” is not so widely-known. It refers to the School of Music, after Austin arts patrons **Sarah and Ernest Butler** made a big donation to the music school. The same is true of “**Moody**,” the new jargon for the College of Communication, following a Moody family donation.

Already, giving during the campaign has changed the face of the campus, with the new **Liberal Arts Building** and its home for ROTC, **Gates Computer Science Complex, Dell Computer Science Hall, Belo Center for New Media** and **Rowling Hall** for graduate business education. No shorthand moniker has yet surfaced for these facilities.

By the way, Austinite **Kenny Jastrow** chaired the campaign.

Dr. Louis Overholster said it would be just his luck that if he won the lottery and made a big donation to UTAustin, a building in his honor would be named “Lucky Bastard Hall!”

Sincerely,



Editor/Publisher